THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

November 14, 2002

The Regents of the University of California met on the above date at UCSF-Laurel Heights, San Francisco.

Present: Regents Atkinson, Bustamante, Davies, Eastin, Hopkinson, Johnson, Kozberg, Lansing, Lee, Ligot-Gordon, Marcus, Montoya, Moores, Sainick, and Terrazas (15)

In attendance: Regents-designate Murray and Seigler, Faculty Representatives Binion and Pitts, Secretary Trivette, General Counsel Holst, Provost King, Senior Vice Presidents Darling and Mullinix, Vice Presidents Drake and Gomes, Chancellors Greenwood, Tomlinson-Keasey, and Vanderhoef, and Recording Secretary Nietfeld

The meeting convened at 12:55 p.m. with Chairman Moores presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion of Regent Johnson, duly seconded, the minutes of the meetings of September 2002 were approved.

2. REPORT OF THE PRESIDENT

President Atkinson presented the report concerning University activities and individuals.

Upon motion of Regent Davies, duly seconded, the President's report was accepted, and it was directed that notes of thanks be sent to the donors of the gifts mentioned in the report, that congratulations be extended to those faculty and staff members who have been awarded honors, and that notes of sympathy and regret be sent to the families of those whose deaths were reported.

[The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

At the President's invitation, Faculty Representative Binion presented a brief report on the activities of the Academic Senate. She noted that a faculty task force will be considering principles of comprehensive review for graduate and professional school admissions. At its meeting next week, the Academic Council will continue to discuss the comprehensive review program, integrating today's requests from the Regents and formulating suggestions to forward to the Board on Admissions and Relations with Schools for next year's program. The Council will also consider the request from the Irvine campus to establish a school of information sciences, the Santa Cruz campus' request pertaining to the tenth college, and Merced's request to establish a school of management.

3. **RESOLUTION IN MEMORIAM - JAMES H. MEYER**

Upon motion duly made and seconded, the following resolution was approved:

WHEREAS, the Regents of the University of California are deeply saddened by the death of James H. Meyer, third Chancellor of the University of California, Davis and a distinguished leader in higher education; and

WHEREAS, a scholar of note and outstanding accomplishment, his research on the application of modern management techniques to the administration of a university and the role of the land-grant university in modern society has been widely recognized throughout higher education; and

WHEREAS, for eighteen years as its chancellor, he carefully guided his beloved Davis campus through a tumultuous period of unprecedented change and growth with a rare combination of patience, foresight, and good humor, and he was a direct and insightful leader with a remarkable understanding of the diverse constituencies that make up a campus community; and

WHEREAS, on the occasion of his retirement from the University, The Regents honored James H. Meyer with a resolution commemorating his service, portions of which are recalled here:

WHEREAS, under Chancellor Meyer's leadership, the Davis campus has evolved into one of the top research institutions in the nation, having a faculty of eminence and renown, an enrollment of nearly twenty thousand students engaged in undergraduate, graduate, and professional studies, all the while retaining the traditional campus atmosphere of friendliness and warmth; and

WHEREAS, during Chancellor Meyer's tenure, the campus has become a major resource for the Sacramento Valley and the State, enjoying a well-deserved reputation for excellence for its vital contributions to health care, science, education, agriculture, and environmental sciences;

WHEREAS, following his retirement as chancellor in 1987, he continued to enrich and enliven the campus and community with his wisdom, foresight, and deep devotion to the values of academic life and public service;

NOW, THEREFORE, BE IT RESOLVED that the Regents of the University express their sorrow over the loss of James H. Meyer, whose commitment to the welfare of the University and to higher education was reflected in his long and devoted service to the Davis campus;

AND BE IT FURTHER RESOLVED that the Regents convey their sympathy to Alice Meyer and the entire Meyer family and direct that suitably inscribed copies of this resolution be sent to them as a token of the Regents' admiration and regard for Chancellor Emeritus James H. Meyer.

4. **RESOLUTION IN MEMORIAM - CHANG-LIN TIEN**

Upon motion duly made and seconded, the following resolution was approved:

WHEREAS, The Regents of the University of California wish to express their deep sorrow at the untimely death of Chang-Lin Tien, beloved seventh chancellor of the University of California, Berkeley, and an educational leader renowned not only for his visionary scientific and scholarly accomplishments but for his warmth of spirit; and

WHEREAS, he contributed brilliantly to the study of mechanical engineering, shaping the field of thermal science, a discipline in which his creative genius and the breadth of his studies left an indelible imprint on the international scientific community; and

WHEREAS, during a remarkable career with the University that spanned over four decades, his exceptional talent as a teacher and scholar resulted in his selection by this Board as University Professor, and his contributions as an administrator will forever be reflected in the Berkeley campus itself, whose reputation as one of the world's premier research universities was not only maintained but greatly enhanced during his chancellorship; and

WHEREAS, an individual of gallant courage and indomitable spirit, he made excellence his standard and, during an era of unprecedented budget cuts, his leadership of the Berkeley campus reflected his profound desire to ensure that the academic distinction of the campus, including the preeminence of its faculty and the excellence of its undergraduate instruction, was never undermined or lost; and

WHEREAS, principled in action and constant in his efforts for justice and equal opportunity for all those who suffer disadvantage or pain, he was a powerful voice for the educational rights of the underprivileged and the disenfranchised, steadfast in his commitment to guarantee access to the University for disadvantaged students from across California;

WHEREAS, with his exuberant "GO BEARS" forever echoing over the Berkeley campus, the history of his achievement and his deep abiding devotion to the University and all those it strives to serve will inspire future generations of students, faculty, and staff;

NOW, THEREFORE BE IT RESOLVED that the Regents express the deep sense of bereavement which they and the rest of the University of California family have sustained in the loss of Chang-Lin Tien, a man of honor and an esteemed educator, who will be sadly missed and long remembered;

AND BE IT FURTHER RESOLVED that the Regents convey to Di-Hwa Tien and the entire Tien family their most heartfelt sympathy and direct that a suitably inscribed copy of this resolution be presented to them as a symbol of the Regents' affection, admiration, and high regard for a treasured friend.

5. **RESOLUTION IN APPRECIATION - DELAINE EASTIN**

Upon motion duly made and seconded, the following resolution was approved:

WHEREAS, Delaine Eastin has served with distinction for eight years as State Superintendent of Public Instruction and as a Regent of the University of California; and

WHEREAS, having earned a bachelor's degree from the Davis campus and a master's degree from the Santa Barbara campus, she is a proud and devoted alumna of UC who has dedicated herself to meeting the challenge of expanding and extending the benefits of a University of California education to all academically qualified young people, and she has been an ardent and enthusiastic supporter of the University's outreach efforts; and

WHEREAS, a native of California, she has enjoyed a long and distinguished record of service to its citizens, serving four terms in the California Assembly and as Chair of the Assembly Committee on Education, where she sponsored major legislation to reform and improve the state's K-12 educational system, an important factor in the academic preparation of students applying to the University of California, before being twice elected as State Superintendent of Public Instruction, the first woman to serve in that position; and

WHEREAS, she has been widely recognized for her passionate commitment to California's children and education, advocating tirelessly and effectively for reducing class size in grades K through 3, improving libraries, and implementing statewide standards and measures of achievement; and

WHEREAS, during her term as a Regent, she has brought her knowledge, persuasive commentary, and keen insight of the state's education system to the Board's deliberations on critical issues facing the University;

NOW, THEREFORE, BE IT RESOLVED that the Regents express their appreciation and gratitude to Delaine Eastin for her service to her beloved alma mater and for her noteworthy contributions to education in California;

AND BE IT FURTHER RESOLVED that the Regents extend to Delaine their heartfelt good wishes for all her future endeavors and direct that a suitably inscribed copy of this resolution be presented to her as an expression of their warm regard and lasting friendship.

Regent Montoya presented remarks on behalf the Board in which she expressed appreciation to Regent Eastin for her service to the State of California and its children, and for her devotion to the University. Regent Eastin expressed her hope that the dream of a campus in Merced would be realized and that the State would begin to plan to meet the needs of future generations of children. She observed that the education she had received from the University of California had been a great gift which had fundamentally changed her life. She expressed her regret that meetings of the State Board of Education had prevented her from attending more meetings of The Regents.

6. **REPORT OF THE COMMITTEE ON FINANCE**

A. ***University of California Financial Report, 2002***

The Committee recommended that the **University of California Financial Report for 2002** be accepted.

[The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

B. ***Amendment of the University of California Retirement Plan - Capital Accumulation Provision Accrual Credit***

The Committee recommended that the University of California Retirement Plan (UCRP or Plan) be amended as set forth in Attachment I to provide a Capital Accumulation Provision (CAP) Accrual Credit on April 1, 2003 as follows:

An amount equal to 5 percent of eligible Covered Compensation earned and paid for the period beginning April 1, 2002 through March 31, 2003, for UCRP Active Members on April 1, 2003, including UCRP Active Members paid by the three National Laboratories, subject to Department of Energy approval, at an interest rate based on the assumed earnings rate of the Plan in effect from time to time. Currently, the assumed earnings rate of the Plan is 7.5 percent.

C. ***Authorization of Leases and Agreements for Seismic Corrections at Davis Campus Teaching Hospital Facilities, Davis Campus***

The Committee recommended that, subject to its inclusion in the amended Capital Improvements Budget and subject to adoption by the State Public Works Board (SPWB) of a resolution authorizing the issuance of State Public Works Board Lease Revenue Bonds and authorizing interim loans from the State's Pooled Money Investment Account or General Fund for the following project: Davis campus: UCDMC Surgery and Emergency Services Pavilion:

(1) The President or the Secretary be authorized to:

a. Execute an unsubordinated site lease from The Regents to the State Public Works Board for the project named above, said leases to contain provisions substantially as follows:

i. the site shall comprise the approximate size of the footprint for the building named above. Said lease shall also include a license to the SPWB for access from campus roads to the site during the term of the lease;

ii. the purpose of the lease shall be to permit construction of the project;

iii. the term of the site lease shall commence on recordation of the lease or the first day of the month following the meeting of the SPWB at which the resolution is adopted authorizing the lease, the issuance of bonds and interim financing for the project, whichever is earlier, and shall terminate on the date the bonds issued by the SPWB are paid in full, subject to earlier termination if such bonds have been retired in full;

iv. the rental shall be $1 per year;

v. The Regents shall have power to terminate the site lease in the event of default by the SPWB, except when such termination would affect or impair any assignment or sublease by the SPWB and such assignee or subtenant is duly performing the terms and conditions of the lease;

vi. The Regents shall provide to the SPWB and any assignee of the SPWB access to the site and such parking and utility services as are provided for similar facilities on the campus;

vi. The Regents shall waive personal or individual liability of any member, officer, agent, or employee of the SPWB;

vii. The Regents shall agree to pay assessments or taxes, if any, levied on the site or improvements attributable to periods of occupancy by The Regents; and

ix. in the event any part of the site or improvements is taken by eminent domain, The Regents recognizes the right of the SPWB to retain condemnation proceeds sufficient to pay any outstanding indebtedness incurred for the construction of the project.

b. Execute an agreement between the State of California, as represented by the SPWB, and The Regents for the project named above, said agreements to contain the following provisions:

i. the SPWB agrees to finance construction of the project, as authorized by statute; and

ii. The Regents agrees to provide and perform all activities required to plan and construct said project.

c. Execute a facility lease from the SPWB to The Regents for the project named above, said leases to contain provisions substantially as follows:

i. the purpose of the building's occupancy shall be to use it as a facility for acute care in-patient service and support-related functions in furtherance of the University's mission related to instruction, research, and public service;

ii. the SPWB shall lease the financed facility, including the site, to The Regents pursuant to a facility lease;

iii. the terms of the facility lease shall commence on recordation of the lease or the first day of the month following the meeting of the SPWB at which the resolution is adopted authorizing the lease, the issuance of bonds and interim financing for the project, whichever is earlier, and shall terminate on the date the bonds issued by the SPWB are paid in full, subject to earlier termination if such bonds have been retired in full;

iv. if the SPWB cannot deliver possession to The Regents at the time contemplated in the lease, the lease shall not be void nor shall the SPWB be liable for damages, but the rental payment shall be abated proportionately to the construction cost of the parts of the facility not yet delivered;

v. in consideration for occupancy during the term of the lease and after the date upon which The Regents takes possession of the facility, The Regents shall pay base rent in an annual amount sufficient to pay debt service on the bonds or other obligations of the SPWB issued to finance or refinance the facility and additional rent for payment of all administrative costs of the SPWB;

vi. The Regents covenants to take such actions as may be necessary to include in the University's annual budget amounts sufficient to make rental payments and to make the necessary annual allocations;

vii. during occupancy, The Regents shall maintain the facility and pay for all utility costs and shall maintain fire and extended coverage insurance at then current replacement cost or an equivalent program of self-insurance, and earthquake insurance if available on the open market at a reasonable cost;

viii. during occupancy, The Regents shall maintain public liability and property damage insurance, or an equivalent program of self insurance, on the facility and shall maintain rental interruption or use and occupancy insurance, or an equivalent program of self insurance, against perils covered in c.vii. above;

ix. in the event of default by The Regents, the SPWB may maintain the lease whether or not The Regents abandons the facility and shall have the right to relet the facility, or the SPWB may terminate the lease and recover any damages available at law;

x. The Regents shall be in default if the lease is assigned, sublet, or transferred without approval of the SPWB, if The Regents files any petition or institutes any proceedings for bankruptcy, or if The Regents abandons the facility;

xi. The Regents shall cure any mechanics' or materialmen or other liens against the facility and, to the extent permitted by law, shall indemnify the SPWB in that respect;

xii. The Regents, to the extent permitted by law, shall indemnify the SPWB from any claims for death, injury, or damage to persons or property in or around the facility; and

xiii. upon termination or expiration of the lease, other than for breach or because of eminent domain, title to the facility shall vest in The Regents.

(2) The President be authorized to identify assets to be leased in lieu of facilities constructed pursuant to a. and c. above, and the President or the Secretary be authorized to execute documents necessary to lease such assets.

D. ***Affiliation Agreement Between The Regents of the University of California on Behalf of the Berkeley Campus and the Trustees of Columbia University of the City of New York for the Operation of a Joint Executive M.B.A. Program***

The Committee recommended that the Secretary be authorized to execute an affiliation agreement between The Regents of the University of California and the Trustees of Columbia University of the City of New York for the operation of a joint executive M.B.A. program, effective January 1, 2002.

E. ***Amendment of Standing Order 110.2–Matters Relating to Residency: Proposal to Establish New Policy on Tuition and Fee Exemptions to Conform to Chaptered Legislation***

The Committee recommended that:

(1) Service of notice be waived.

(2) Standing Order 110.2–Matters Relating to Residency be amended as shown below, effective on the effective date of the legislation applicable to each modification.

Additions shown by underlining; deletions shown by strikeout

Standing Order 110.2-Matter Relating to Residency

(a) The residence of each student shall be determined in accordance with the rules governing residence prescribed by the provisions of Sections 68000, 68010-68012, 68014-68018, 68022-68023, 68040-68044, but excluding the words "classified as a nonresident seeking reclassification" from Paragraph 1 and substituting the words "seeking classification" and excluding Paragraph 3 of Section 68044, 68050, 68060-68061, 68062 but excluding the words "including an unmarried minor alien" from 68062(h), 68070-68080, 68083, 68130, and 68132-68134 of the Education Code of the State of California. Each nonresident student at the University of California shall pay a nonresident tuition fee for each term of attendance at the University, except that such fee, with the approval of the President of the University, may be remitted or waived in whole or in part in the case of any student who qualifies as a graduate student with a distinguished record, a foreign student, a teaching assistant or teaching fellow, or a research assistant; or in the case of a nonresident student who is an unmarried dependent son or daughter under age twenty-one, or a spouse of a member of the University faculty who is a member of the Academic Senate. A student who is a child of a resident law enforcement officer or fire fighter killed on active duty shall be exempted from nonresident tuition and fees in accordance with Section 68120 of the Education Code of the State of California. A student who is the child or dependent of a deceased or disabled veteran, or who is the dependent of or the surviving spouse who has not remarried of any member of the California National Guard who was killed or permanently disabled while in active service of the state, shall not be exempted from nonresident tuition fees, but may be exempted from ~~tuition and incidental~~ mandatory systemwide fees in accordance with Section 32320 of the Education Code of the State of California. A student meeting the requirements of Section 68130.5 of the Education Code of the State of California shall ~~also~~ be exempt from paying nonresident tuition. A student meeting the requirements of Sections 66025.3 and 68120.5 of the Education Code of the State of California shall be exempt from paying mandatory systemwide fees and nonresident tuition. For purposes of defining financial independence pursuant to Section 68044, a student shall be considered "financially independent" if the applicant: a) is at least 24 years of age by December 31 of the year the applicant requests residence classification; b) is a veteran of the U.S. Armed Forces; c) is a ward of the court or both parents are dead; d) has legal dependents other than a spouse; e) is married, or a graduate student or professional student, and will not be claimed as an income tax deduction by his or her parents or any other individual for the tax year immediately preceding the request for residence classification;

or is a single undergraduate student, and was not claimed as an income tax deduction by his or her parents or any other individual for the two years immediately preceding the request for residence classification, and demonstrates self-sufficiency for two years. The student is considered self-sufficient if he or she had total income and other resources of at least $4,000. The two years used to demonstrate self-sufficiency are the two years immediately preceding the request for residence classification. Nonresident tuition fees shall be payable at the time of registration.

Upon motion of Regent Hopkinson, duly seconded, the recommendations of the Committee on Finance were approved.

7. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS**

A. ***Approval of Site and Amendment of Long Range Development Plan, Child Development Center, Medical Center, Davis Campus***

Upon review and consideration of the environmental consequences of the proposed project as evaluated in the Initial Study/Mitigated Negative Declaration, the Committee recommended:

(1) Approval of the Initial Study/Mitigated Negative Declaration.

(2) Adoption of the Findings and Mitigation Monitoring Program.

(3) Approval of the site of the Child Development Center.

(4) Amendment of the UCDMC 1989 Long Range Development Plan accordingly.

[The Initial Study/Mitigated Negative Declaration, Findings, and Mitigation Monitoring Program were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

B. ***Amendment of the Long Range Development Plan, Irvine Campus***

Upon review and consideration of the environmental documentation on the proposed project, the Committee recommended:

(1) Adoption of the Initial Study/Mitigated Negative Declaration.

(2) Adoption of the Mitigation Monitoring Program and Findings.

(3) Amendment of the Irvine Campus Long Range Development Plan to designate approximately 14 acres from Elementary School/Open Space and Recreation to Faculty/Staff Housing.

[The Initial Study/Mitigated Negative Declaration, Mitigation Monitoring Program, and Findings were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

C. ***Certification of Environmental Impact Addendum and Approval of Design, Gemini Sciences, Inc./La Jolla Institute for Allergy and Immunology Building at Science Research Park, San Diego Campus***

Upon review and consideration of the environmental consequences of the proposed project, the Committee recommended:

(1) Certification of Addendum #1 to the Science Research Park Environmental Impact Report.

(2) Adoption of the Findings.

(3) Approval of the design of the Gemini Science, Inc./La Jolla Institute for Allergy and Immunology Building Project, San Diego campus.

[The Addendum #1 and Findings were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

D. ***Certification of Environmental Impact Report, Amendment of Long Range Development Plan, and Approval of Design, California Nanosystems Institute Building (CNSI) and Campus Parking Structure 2 (CPS2), Santa Barbara Campus***

Upon review and consideration of the environmental consequences of the proposed project as evaluated in the Environmental Impact Report, the Committee recommended:

(1) Certification of the Environmental Impact Report.

(2) Adoption of the Findings and Mitigation Monitoring Program.

(3) Amendment of the Long Range Development Plan.

(4) Approval of the design of the California Nanosystems Institute Building.

(5) Approval of the design of the Campus Parking Structure 2 building, Santa Barbara campus.

[The Environmental Impact Report, Findings, and Mitigation Monitoring Program were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

Upon motion of Regent Marcus, duly seconded, the recommendations of the Committee on Grounds and Buildings were approved.

8. **REPORT OF THE COMMITTEE ON INVESTMENTS**

Treasurer's Annual Report

The Committee forwarded to The Regents the **Treasurer's Annual Report** for the fiscal year ending June 30, 2002.

[The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

Upon motion of Regent Davies, duly seconded, the report of the Committee on Investments was accepted.

9. **REPORT OF THE COMMITTEE ON OVERSIGHT OF THE DEPARTMENT OF ENERGY LABORATORIES**

Authorization to Approve and Execute Modifications to the Department of Energy Contracts for Lawrence Livermore National Laboratory and Los Alamos National Laboratory to Amend Clauses

The Committee recommended that the President be authorized to approve and execute a modification to the provisions of contracts W-7405-ENG-36 and W-7405-ENG-48 in order to incorporate revisions to the following clauses:

H.007 PERFORMANCE-BASED MANAGEMENT
H.014 PROGRAM PERFORMANCE FEE

Upon motion of Regent Davies, duly seconded, the recommendation of the Committee on Oversight of the Department of Energy Laboratories was approved.

10. **REPORT OF THE COMMITTEE ON AUDIT**

The Committee presented the following from its meeting of September 19, 2002:

A. ***Resolution Creating Standards for Audit and Non-Audit Services by The Regents' Auditors (The "Firewall" Proposal)***

The Committee recommended that The Regents adopt standards for audit and non-audit services by The Regents' external accounting firm. The Regents' external accounting firm shall be authorized to perform audit and audit-related services to the University. All "prohibited services," as defined in the Sarbanes-Oxley Act of 2002, will not be provided to the University by The Regents' external accounting firm. Other services may be performed by The Regents' external accounting firm only if they do not create the appearance of a conflict of interest, are competitively bid, and are approved by the Committee on Audit.

B. ***Approval of Process for Engagement of The Regents' Auditors Beginning in Fiscal Year 2003***

The Committee recommended that the University evaluate the existing arrangement with The Regents' external accounting firm, PricewaterhouseCoopers (PwC), and if such evaluation determines that retention of PwC is in the best interests of the University, that the University be authorized to negotiate an extension of the existing contract.

The Committee presented the following from its meeting of November 13, 2002:

C. ***Approval of Regents' External Audit Contract***

The Committee recommended that The Regents' contract with the current external auditor, PricewaterhouseCoopers, be extended for an additional three-year period.

Upon motion of Regent Terrazas, duly seconded, the recommendations of the Committee on Audit were approved.

11. REPORT OF THE NOMINATING COMMITTEE

The Nominating Committee recommended the following appointments, effective immediately:

A. Regent-designate Murray be appointed as an advisory member to the Committee on Educational Policy, Committee on Grounds and Buildings, and Finance through June 30, 2003.

B. Faculty Representative Binion be appointed as an advisory member to the Committee on Audit, Committee on Educational Policy, Committee on Investments, and the

Committee on Oversight of the Department of Energy Laboratories through August 31, 2003.

C. Faculty Representative Pitts be appointed as an advisory member to the Committee on Finance, Committee on Grounds and Buildings, and the Committee on Health Services through August 31, 2003.

Upon motion of Regent Davies, duly seconded, the recommendations of the Nominating Committee were approved.

12. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS AND THE COMMITTEE ON FINANCE**

A. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Tercero Housing and Dining Expansion, Davis Campus***

(1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

Davis: Tercero Housing and Dining Expansion – preliminary plans, working drawings, and construction - $44,879,000 to be funded from external financing ($35,879,000) and the Davis campus' share of the University of California Housing System Net Revenue Fund ($9,000,000).

(2) The Committee on Finance recommended that financing be obtained not to exceed $35,879,000 to finance the Tercero Housing and Dining Expansion project, subject to the following conditions:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;

b. As long as the debt is outstanding, University of California Housing System fees for the Davis campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess revenues sufficient to pay debt service and to meet the related requirements of the proposed financing; and

c. The general credit of The Regents shall not be pledged.

(3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.

(4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

B. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for Surgery and Emergency Services Pavilion, Medical Center, Davis Campus***

With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that:

The 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended as follows:

Davis: Surgery and Emergency Services Pavilion – preliminary plans, working drawings, construction, and equipment – $281,277,000 to be funded from hospital reserves ($138,687,000), State lease revenue bond funds ($102,590,000), and capitalized leases ($40,000,000).

C. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Student Center Expansion, Phase 4, Irvine Campus***

(1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

Irvine: Student Center Expansion, Phase 4 – preliminary plans, working drawings, and construction – $61,500,000 to be funded from external financing.

(2) The Committee on Finance recommended that external financing be obtained not to exceed $61,500,000 to finance construction and related costs of the Student Center Expansion, Phase 4, Irvine campus, subject to the following conditions:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the preliminary plans, working drawings, and construction period;

b. Repayment of the debt shall be from Student Center, Phase 4 Expansion Referendum student fees approved by student vote in April 2001 and by the President on October 8, 2002; registration fees; and net revenues of the Student Center, which shall generate net revenues sufficient to pay debt service and to meet all related financing requirements of the proposed funding; and

c. The general credit of The Regents shall not be pledged.

(3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.

(4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

D. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Engineering 1 Replacement Building, Los Angeles Campus***

(1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

Los Angeles: Engineering 1 Replacement Building – preliminary plans, working drawings and construction – $28,722,000 to be funded from gift funds ($19,100,000), and external financing ($9,622,000). The total project cost of the replacement building is $55,900,000. Additional funds of $27,178,000 are to be provided by State funds ($26,278,000) and gift funds ($900,000) under the approved Engineering 1 Seismic Mitigation project.

(2) The Committee on Finance recommended that financing be obtained in an amount not to exceed $9,622,000 to finance the project, subject to the following conditions:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;

b. Repayment of the debt shall be from the Los Angeles campus' share of the University Opportunity Funds; and

c. The general credit of The Regents shall not be pledged.

(3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.

(4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

E. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Mission Bay Block 20 Housing and Retail Project, San Francisco Campus***

(1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program be amended to include the following project:

San Francisco: Mission Bay Block 20 Housing Project – preliminary plans, working drawings, construction and equipment – $112,816,000 to be funded from external financing ($82,000,000), gift funds ($30,000,000), and funds available to the campus ($816,000).

(2) The Committee on Finance recommended that financing be obtained not to exceed $82,000,000 to finance the Mission Bay Block 20 Housing Project, subject to the following conditions:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;

b. As long as the debt is outstanding, University of California Housing System fees for the San Francisco campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed financing; and

c. The general credit of The Regents shall not be pledged.

(3) The Committee on Finance recommended that interim financing be authorized, not to exceed $30,000,000 prior to construction bidding, for any gift funds not received by that time and subject to the following conditions:

a. Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period;

b. Repayment of any interim financing shall be from gift funds and, in the event such gift funds are insufficient, from the San Francisco campus' share of the University Opportunity Fund; and

c. The general credit of The Regents shall not be pledged.

(4) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.

(5) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

F. ***Approval of University of California 2003-04 Budgets for Current Operations and Capital Improvements***

(1) The Committee on Finance recommended that the expenditure plan included in the **2003-04 Budget for Current Operations** be approved.

(2) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2003-04 Budget for Capital Improvements be approved as presented in the document titled **2003-04 Budget for Capital Improvements**.

[The **2003-04 Budget for Current Operations** and the **2003-04 Budget for Capital Improvements** were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

Upon motion of Regent Marcus, duly seconded, the recommendations of the Committee on Grounds and Buildings and the Committee on Finance were approved.

13. **REPORT OF THE SPECIAL COMMITTEE ON REGENTS' PROCEDURES**

A. ***Amendment of the Policy on the Faculty Representative to the Board of Regents***

The Special Committee recommended that the Policy on the Faculty Representative to the Board of Regents be amended as follows:

Addition shown by underscoring

The members of the faculty of the University of California who are Chairman of the Academic Assembly and Academic Council and the Vice Chairman of the Academic Assembly and Academic Council shall be invited to attend all meetings of the Board

and of its committees and to be seated at the meeting table with full participation in discussion and debate. In addition, effective immediately, the Faculty Representatives will serve as advisory members of standing and/or special committees of The Regents. This membership shall not count toward the maximum number of standing committee members as set forth in Bylaw 10.1(c) nor toward the maximum number of special committee members as set forth in Bylaw 10.3.

B. ***Amendment of the Policy on Appointment of Student Regent***

The Special Committee recommended that the Policy on Appointment of Student Regent be amended as follows:

Additions shown by underscoring; deletions shown by strikeout

***

(1) The student Regent shall be a person enrolled as a student in good standing at a campus of the University of California for each regular academic term during his or her service as a Regent-designate and Regent. ~~All University fees and tuition shall be waived for the student Regent~~ The student Regent shall have the option of receiving either a fee waiver or a scholarship in an amount equivalent to the student's total University fees and tuition during the academic years in which he or she serves as a Regent-designate and Regent. A student body president, or equivalent, or a member of the Board of Directors of the University of California Student Association, shall not be eligible for appointment as a student Regent. While serving on the Board, a student Regent may not hold any appointive or elective student government position. A student who is or has served as a student Regent shall not be eligible for reappointment as a student Regent.

***

Upon motion of Regent Davies, duly seconded, the recommendations of the Special Committee on Regents' Procedures were approved.

14. **REPORT OF THE COMMITTEE ON FINANCE AND THE COMMITTEE ON INVESTMENTS**

With the concurrence of the Committee on Investments, the Committee on Finance recommended that the expenditure rate per unit of the General Endowment Pool (GEP) for expenditure in the 2003-04 fiscal year shall be 4.5 percent of a 60-month moving average of the market value of a unit invested in the GEP.

Upon motion of Regents Hopkinson, duly seconded, the recommendation of the Committee on Finance and the Committee on Investments was approved.

15. **SUPPLEMENTAL REPORT ON EXECUTIVE COMPENSATION**

Recommended 2002-03 Salary Increases for Certain Officers of the University, Officers of The Regents, and Other Employees as Required by Bylaws and Standing Orders

(1) The Committee on Finance recommended that, pursuant to Standing Order 100.3(a), the 2002-03 salary rate be approved for the President of the University, pursuant to Standing Order 100.3(a), as shown below, effective October 1, 2002:

Name and Title	Current Salary Rate	October 1, 2002 Salary Rate
Richard C. Atkinson President of the University	$356,100	$361,400

(2) The Committee on Finance recommended that salary rates be approved for certain Officers of the University and Officers of The Regents, pursuant to Bylaw 12.3(m)(1) and Standing Order 100.3(b), as shown on Attachment II, effective October 1, 2002.

Upon motion of Regent Hopkinson, duly seconded, the recommendations of the Committee on Finance were approved.

16. **REPORT OF INTERIM ACTIONS**

Report of Actions Taken Between Meetings

In accordance with authority previously delegated by The Regents, Secretary Trivette reported that interim action had been taken on routine or emergency matters as follows:

The Chairman of the Board, the Chairs of the Committees on Grounds and Buildings and Finance, and the President of the University concurred in the following recommendation:

Amendment of the Budget for Capital Improvements and the Capital Improvement Program, and Approval of External Financing for Dining Commons Seismic Corrections and Renovations–Phase I, Santa Barbara Campus

Pursuant to Standing Order 100.4 (q)

(1) The President amend the 2002-03 Budget for Capital Improvements and the 2002-05 Capital Improvement Program to include the following project:

Santa Barbara: Dining Commons Seismic Corrections and Renovation – Phase I – preliminary plans, working drawings, construction, and equipment – $12,471,000 to be funded from external financing.

Pursuant to Bylaw 21.4 (d) and Standing Order 100.4 (nn)

(2) The President be authorized to obtain financing not to exceed $12,471,000 to finance the project listed in (1) above, subject to the following conditions:

a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.

b. As long as this debt is outstanding, University of California Housing System fees for the Santa Barbara campus shall be established at levels sufficient to meet requirements of the UC Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and related requirements of the proposed funding.

c. The general credit of The Regents shall not be pledged.

(3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is exempt from federal income taxation under existing law.

(4) The Officers of the Regents be authorized to execute all documents necessary in connection with the above.

17. REPORT OF COMMUNICATIONS

Secretary Trivette presented summaries of communications received subsequent to the September 2002 meeting. Unless instructed otherwise, the residency appeals will be referred to General Counsel Holst, and the remaining communications will be referred to President Atkinson for response as appropriate.

18. REPORT OF THE PRESIDENT

President Atkinson reported that on the dates indicated, the following informational reports were mailed to The Regents or to Committees:

To Members of the Committee on Health Services

A. The Activity and Financial Status Report on Hospitals and Clinics as of August 31, 2002. October 4, 2002. (Schedule of Reports)

To The Regents of the University of California

B. Copy of the University of California Police Department's 2001 Annual Report and Crime Statistics. September 17, 2002.

C. Copy of publication as part of a continuing series by the Office of Research, reporting on federally funded research at the University of California. September 20, 2002.

D. Copy of "fact sheet" that has been produced as part of the University's Proposition 47 informational campaign. September 26, 2002.

E. Copy of the Academic Senate's new online publication, *The Senate Source*. October 21, 2002.

F. Copy of special supplement that appeared in the Alameda Newspaper Group of publications in conjunction with Lawrence Livermore National Laboratory's 50th anniversary. October 21, 2002.

G. Audited financial statements for the five UC Medical Centers for fiscal year ended June 30, 2002. October 29, 2002.

H. Copy of the *2003-04 Budget for Current Operations* and the *2003-4 Budget for Capital Improvements*. October 30, 2002.

The meeting adjourned at 1:06 p.m.

Attest:

Secretary